

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-02 PA-03

PRS-01 USIA-12 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 EUR-25 EA-11 INT-08 PC-04

IGA-02 RSR-01 /198 W

----- 053949

R 261346 Z JUN 73

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 8159

INFO AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E. O. 11652: NA

TAGS: EGEN

SUBJECT: ANDEAN PACT: FOREIGN ASSISTANCE

JOINT STATE/ AID MESSAGE

REF: (A) LIMA A-115, 5/7/73 (B) LIMA 4064, 6/14/73;

(C) LIMA A-155, 6/19/73

FOLLOWING MESSAGE DRAFTED BY REGIONAL INTEGRATION OFFICER,
AMEMBASSY LIMA

(BEGIN UNCLASSIFIED)

1. BEGIN SUMMARY: REPAIR A ITEMIZED FOREIGN ASSISTANCE
TO JUNTA. ASSISTANCE TO ANDEAN DEVELOPMENT CORPORATION
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(CAF) ALSO INCREASING. AS ALREADY REPORTED, BRAZIL AND SPAIN RESPECTIVELY AUTHORIZED \$200,000 AND \$500,000 GRANT ASSISTANCE TO CAF IN RECENT WEEKS, IN ADDITION TO LOAN FINANCING. GERMANY AND ITALY NOW ALSO DISCUSSING ASSISTANCE PROGRAMS. CANADA, WHICH ALREADY COMMITTED \$1,164,000 IN CRANTS TO JUNTA, PRESENTLY CONSIDERING SOFT LOAN TO CAF. JAPAN STARTED AID TALKS, BUT IS STILL UNCOMMITTED. END SUMMARY

2. GERMANY REPORTEDLY WILLING TO MAKE ONE MILLION DOLLAR GRANT THROUGH JUNTA FOR BAISC RESEARCH IN EXTRACTION AND PROCESSING OF COPPER. RESEARCH WOULD BE CARRIED OUT IN BOLIVIA , CHILA AND PERU. DETAILS OF PROGRAM TO BE ELABORATED IN CONJUNCTION WITH REGIONAL TECHNOLOGY DEVELOPMENT PROPOSAL WHICH JUNTA SCHEDULED TO PRESENT TO COMMISSION IN DECEMBER.
3. GERMANY ALSO AGREEABLE IN PRINCIPLE TO MAKE UNTIED FIFTEEN MILLION MARKS LOAN TO CAF. TERMS FORTY YEARS AND INTEREST BETWEEN 2 AND 3 PERCENT. GERMANY IN ADDITION WILL PROBABLY MAKE \$500,000 GRANT TO CAF, PARTIALLY TIED, FOR TECHNICAL ASSISTANCE IN STEEL, AUTOMOTIVE AND BASIC CHEMICAL INDUSTRIES.
4. ITALY WILL REPORTEDLY SIGN AGREEMENT IN JULY GRANTING \$500,000 TO CAF FOR ASSISTANCE IN DEVELOPMENT OF ELECTRONIC, ELECTRO- DMESTIC, TELEPHONE AND COMMUNICATIONS EQUIPMENT INDUSTRIES. PROGRAM 80 PERCENT TIED AND DISBURSEMENTS TO BE MADE OVER TWO YEAR PERIOD.
5. CONVERSATION - S REPORTEDLY WELL ADVANCED FOR TEN MILLION DOLLAR LOAN FROM CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA) TO CAF. TERMS ROUGHLY 20 YEARS, 3 TO 4 PERCENT INTEREST AND 70 PERCENT TIED. (END UNCLAS) (BEGIN LOU)

6. INCREASING FOREIGN ASSISTANCE IMPROVING ANDEAN PACT PROGRAM OUTLOOK, BUT ALSO CREATING SOME PROBLEMS. FIRST, SPACE LIMITATION TO ACCOMODATE FOREIGN EXPERTS IN JUNTA AND CAF. MORE IMPORTANTLY, SHORTAGE OF COUNTERPART PERSONNEL. STAFF FULLY UTILIZED IN SCHEDULED WORK PROGRAM (REFAIR C) WHICH COINCIDES ONLY IN PART WITH PRIORITIES ESTABLISHED TO AID AGREEMENTS.

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7. FURTHERMORE, NOT EASY FOR INTEGRATION ORGANS TO KEEP SPANIARDS AND ITALIANS AT ARMS LENGTH. STATIONING SPANISH GOVT TECHNICAL EXPERTS IN JUNTA HAS NOT WORKED WELL AND WILL BE DISCONTINUED. SPANISH INTEREST IN OBTAINING SEAT ON CAF BOARD OF DIRECTORS THROUGH PURCHASE CLASS C SHARES WILL ALSO BE REJECTED SINCE THIS WOULD QTE START A NEW TYPE OF FOREIGN

INFLUENCE IN INTERNAL ANDEAN AFFAIRS UNQTE. INSTEAD, FOREIGN CLASS C SHAREHOLDERS WILL BE ENCOURAGED TO FORM CONSULTATIVE COMMITTEE. ITALIANS, ON OTHER HAND, HAD TO BE CONVINCED THAT CAF SHOULD HAVE VOICE IN SELECTION OF ITALIAN TECHNICIANS. AS CAF OFFICIAL INDICATED TO REGIONAL INTEGRATION OFFICER, ITALIANS WOULD SIMPLY HAVE SENT EQUIPMENT SALESMEN.

8. ADDITIONAL PROBLEM CONCERNS LACK OF READINESS OF INTEGRATION ORGANS TO TAKE FULL ADVANTAGE OF EXTENSIVE FOREIGN TECHNICAL ASSISTANCE. NEGOTIATION OF SECTORIAL PROGRAMS A DELICATE ISSUE. FOREIGN TECHNICAL ADVICE NEEDED, BUT PROMOTION OF SPECIFIC PROJECTS HAS TO AWAIT APPROVAL OF RESPECTIVE PROGRAMS BY MEMBER GOVERNMENTS. FURTHERMORE, MANY IMMEDIATE PROBLEMS AND BOTTLENECKS IN INTEGRATION PROGRAM HAVE TO BE RESOLVED INTERNALLY BEFORE FOREIGN HELP CAN BE EFFECTIVELY APPLIED.

9. BOTH JUNTA AND CAF ARE REITERATING TO REGIONAL INTEGRATION OFFICER NEED FOR FLEXIBILITY IN US ASSISTANCE. PROGRAMS OF OTHER COUNTRIES GENERALLY REQUIRE LONG AND LEAD TIME AND CAREFUL ADVANCE PLANNING FOR CONTRACTING OF TECHNICIANS. THERE IS NO OBJECTION TO THIS.

HOWEVER, AMBITIOUSNESS AND BROADNESS OF INTEGRATION PROGRAM PRODUCES VARIETY OF UNFORESEEN BOTTLENECKS. FOREIGN TECHNICAL ADVICE IS OFTEN NEEDED ON SHORT NOTICE.

10. FY 74 US ASSISTANCE PROGRAM TO PACT AS PROPOSED IN REFTEL B SHOULD BE VIEWED IN LIGHT OF THESE SPECIAL NEEDS. ADVANCEMENT OF US OBJECTIVES AND STRENGTHENING US- ANDEAN ECONOMIC LINKS AT PUBLIC AND PRIVATE SECTOR LEVELS COULD BE PURSUED MORE EFFECTIVELY IF FLEXIBLE ASSISTANCE RELATIONSHIP ESTABLISHED. ATTITUDE TOWARD US STILL CAUTIOUS, BUT BASICALLY QUITE FAVORABLE.
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WITH SECTORIAL PLANNING TO BE CONCLUDED BEFORE END OF 1975, ADEQUATE TWO- WAY INFORMATION FLOW NEEDED TO ASSURE FAIR COMPETITIVE US PARTICIPATION IN INTEGRATION RELATED BUSINESS OPPORTUNITIES. (END LOU)
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